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SIPDIS
SENSITIVE

Treasury for Nancy Lee
NSC for Mike Froman

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SUBJECT: Argentina G-20 Update: President Previews GoA G-20
Positions, Sherpa Pledges Coordination, UK Officials Sound Out GoA
Priorities

Ref: Buenos Aires 168

Summary

¶1. (SBU) President Kirchner, in March 1 remarks to Argentina's parliament on the upcoming G-20 meeting, confirmed that she will call for the wholesale reform of Bretton Woods institutions, including the conversion of IFIs into no-conditionality lending sources to emerging markets. She said she will also emphasize global coordination of macroeconomic policies in order to sustain global demand and for joint action to regulate tax havens. GoA Sherpa and Ambassador to the U.S. Hector Timerman clarified to Ambassador March 2 that Argentina will state its position and worldview clearly, but plans to work constructively and will do nothing to undermine U.S. Summit goals. On G-20 member nation initiatives to help the poorest, GoA Agriculture Secretary Cheppi told Ambassador February 25 that Argentina is already working with the Inter-American Development Bank and with countries like Spain and Germany to provide agricultural technical assistance to other countries and could do more if asked in the G-20 context. The UK Embassy in Argentina reported to post on recent meetings with the GoA on G-20 themes by UK Financial Secretary Steven Timms and Foreign Office Minister Lord Malloch Brown. Argentine Central Bank, Economy Minister, and Foreign Ministry leadership called for IMF reforms to include new "light" conditionality credit facilities and previewed a GoA proposal to be made at the upcoming mid-March G20 Finance Ministers meeting to have member nations lend reserves to the IMF in order to allow it to leverage additional resources into expanded no- or low-conditionality credits. On trade issues, GoA officials reiterated the standing GoA line that Argentina will take all necessary steps to protect domestic industrial production and called for the G-3 to put a "very substantive" proposal on the table to serve as a basis for credibly re-launching the WTO Doha dialogue.
End Summary.

President Kirchner on Argentina's G-20 Agenda

¶2. In her March 1 remarks to the opening of the Argentine parliament's 127th session, President Cristina Fernandez de Kirchner (CFK) led off with remarks on the global financial crisis, the "fall" of conventional economic wisdoms, and the GoA's G-20 priorities. She called current global economic and financial distress "only the tip of the iceberg," with the reigning global

economic paradigm itself in crisis. She argued that the current economic model is based on "subordination, not cooperation, in which rules are only enforced for weak or emerging market economies." CFK said that, at the G-20, Argentina would reiterate the policies it has consistently put forward since 2003, the year her husband was elected president. These policy prescriptions included, she said, the wholesale reform of Bretton Woods institutions as well as the global coordination of macroeconomic policies in order to sustain global demand. Dealing with only the immediate global banking crisis, CFK argued, begs the broader question of how to restore confidence in the global financial order and how to support those emerging market economies which have reached the limits of their debt capacity. IFI reform should include their conversion into no-conditionality lending sources to the emerging markets which, she said, have accounted for 75% of global economic growth in the last 10 years. CFK also called for joint action to regulated tax havens (in her terminology, "fiscal paradises"), which she claimed shelter over 40% of global capital.

Ambassador Timerman on G-20 Coordination

¶3. In a March 2 phone call to Ambassador Wayne, Argentine Ambassador to the United States and designated G-20 Sherpa Hector Timerman noted that he had very positive conversations with NSC Deputy and US G-20 Sherpa Mike Froman and with Treasury Deputy Assistant Secretary Nancy Lee and that he found U.S. positions very progressive. Timerman confirmed that Argentina will state its position and worldview clearly, but will do nothing to undermine U.S. Summit goals. He stressed that Argentina wants to use the G-20 to demonstrate its intent to sustain good relations with the Obama

administration and to work constructively with the United States.

Ag Secretary on GoA Assistance to Poorest

¶4. (SBU) In a February 25 meeting with Production Minister Debora Giorgi and Agricultural Secretary Cheppi, Ambassador noted that in the G-20 process there has been discussion of how to help the poorest countries during the ongoing financial crisis, particularly in agriculture, and that other countries would be looking to Argentina to contribute. Cheppi noted that Argentina is already working with the Inter-American Development Bank and with countries like Spain and Germany to provide technical assistance to other countries. He went on to say that Argentina would be in a position to provide technical assistance on broader basis, if asked in the G-20 context.

UK Treasury/Foreign Office Meet with GoA on G-20

¶5. (SBU) UK Embassy senior economist Andres Borenstein provided Econoff a readout on recent G-20 meetings with GoA officials: Steven Timms, Financial Secretary of the Treasury, met February 18 met during a half day visit to Argentina with Central Bank President Martin Redrado, Economy Minister Fernandez, and Foreign Ministry External Commerce Secretary Alfredo Chiaradia. Earlier on February 11, Lord Malloch Brown, Senior Minister in the UK Foreign Office met with Foreign Minister Jorge Taiana, Economy Minister Fernandez, Finance Secretary Lorenzino and Central Bank Vice President Miguel Angel Pesce.

¶6. (SBU) Borenstein reported that Central Bank President Redrado confirmed to UK officials that Argentina will call for "light" IMF conditionality at the upcoming G-20 Finance Ministers' meeting and said Argentina would be prepared to lend GoA funds to the IMF provided the Fund would turn these around as low conditionality credits. (Note: Central Bank Vice President Pesce confirmed to Econoffs Feb 25 that the GoA will propose that member nations hold reserves at the IMF to provide it the wherewithal to leverage additional no- or low-conditionality credit lines to emerging economy members). Borenstein reported Redrado saying that, while Argentina plans to actively contribute to the discussions on global

financial market architecture and regulation, such discussion speaks to the next global financial crisis. Argentina hopes to focus G-20 participant attention on dealing with the current crisis via broader central bank and macroeconomic policy coordination. Finally, Borenstein reported that Redrado called for the G-3 to put a "very substantive" trade liberalization proposal on the table in order to serve as a basis for credibly re-launching the WTO Doha dialogue.

17. (SBU) UK Official meetings with Economy Minister Fernandez were less substantive than those with Redrado, Borenstein said. He noted however, Fernandez' "spirit" of engagement and his welcoming of the UK's own call for IMF voice and quota reform and for the creation of new and more flexible IMF credit instruments. Borenstein noted that the UK considers the Fund's Short Term Liquidity Facility announced in October 2008 (up to 500% of quota, three month maturity) for eligible countries a failure since the key eligible players (South Korea, etc.) opted for other funding sources. Borenstein also reported that Fernandez supported the UK's call for "meritocratic" leadership appointments to the Fund and Bank and called for an end to US and French "hegemony."

18. Finally on Secretary Timms' meeting with External Commerce Secretary Alfredo Chiaradia, Borenstein reported that Chiaradia replayed the GoA's standing position on the Doha Development Round: Argentina is not reflexively protectionist, but will take all necessary steps to protect domestic industrial production and the high-wage employment it generates.

WAYNE